

Knowing Your Market

Focus on the Facts

by

U.S. Small Business Administration

Successful small business expansions and new formations lead the way in creating new markets, innovations and jobs that fuel economic growth and prosperity.

In recognition of the importance of small business to a strong economy, the U.S. Small Business Administration (SBA) is pleased to help meet the information needs of existing business owners and aspiring entrepreneurs.

Your success in business depends on what you know and how well you apply what you have learned.

Understanding Your Market

Your business will not succeed just because you want it to succeed. Determining if there is a market for your products or services is the most critical item of planning. Once you decide on your product or service, you must analyze your market -- a process involving interviewing competitors, suppliers, and customers.

However, before you begin researching your market, you should take a brief, but close look at your product or service from an objective standpoint. You should ask yourself the following questions:

- Is this product or service in demand?
- How many competitors provide the same service or product?
- Can I create a demand for my product or service?

- Can I compete effectively in price, quality, and delivery?
- Can I price my product or service to assure a profit?

Once you are satisfied that these preliminary questions are answered, move on to performing your research.

Market Research

Market research is extremely beneficial; the information gathered can increase your profit potential.

- Indicates alternative sales approaches to your market.
- Provides a more accurate base for making profit projections.
- Aids in the organization of marketing activities.
- Assists in the development of critical short/mid term sales goals.
- Helps establish your market's profit boundaries.

Unfortunately, many entrepreneurs fail to complete the critical section of their business plan. Collecting research data can be frustrating unless you have defined your goals and organized the collection and analysis process. To prevent this from happening, you must plan how you will collect, sort, and analyze the information. Maintain a notebook and file in which to store, organize, and retrieve data as needed.

Questions To Ask

Your research should ask these questions:

- Who are your customers?
- Where are they located?
- What are their needs and resources?
- Is your service or product essential in their operation or activities?
- Can the customer afford your service or product?
- Where can you create a demand for your service or product?
- What areas within your market are declining or growing?
- What is the general economy of your service or product area?

Market Data

Knowing your market not only requires an understanding of your product, but also an understanding of your customers' socio-economic characteristics. This information will serve as a map in letting you know what is ahead.

More market information can be found in:

- *SBA Online*. The agency's web site is found at www.sbaonline.sba.gov.
- Library listings of trade associations and journals.
- Regional planning organizations' studies on growth trends.
- Banks, Realtors, and insurance companies.
- Customer surveys in your market area.
- U.S. Government publications.

Once you have obtained and analyzed this information, it will become the foundation of your business plan. Research data is important because it supports the basic assumptions in your financial projection -- your reason for going into business.

Summary

To be successful, a small business owner must know the market. Market

research is simply an orderly, objective way of learning about people -- the people who will buy from you.

How To Get More Information

Information is power! Make it your business to know what business information is available, where to get it and, most importantly, how to use it. Sources of information include:

U.S. Small Business Administration

- SBA District Offices
- Small Business Development Centers (SBDCs)
- Service Corps of Retired Executives (SCORE)

Consult your telephone directory under "U.S. Government" for your local SBA office or call the Small Business Answer Desk at 1-800-8-ASK-SBA for information on any of the above resources. FAX: (202) 205-7064. For the hearing impaired, the TDD number is (202) 205-7333.

University of Missouri/Lincoln University Outreach/Extension

Contact the University Outreach / Extension office in your county for your nearest Business & Industry specialist or call (573) 882-4321.

Missouri Small Business Development Centers (573) 882-0344

Other Sources

- Missouri Department of Economic Development 888-751-2863
- Chambers of Commerce
- Local Colleges
- The Library
- Manufacturers and suppliers of small business technologies and products. SBA programs are available to the public on a non-discriminatory basis.

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